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ANNUAL REPORT

OF

MARSHALL FIELD & COMPANY

YEAR ENDED DECEMBER 31, 1953

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MARSHALL FIELD & COMPANY

Founded in 1852 *An Illinois Corporation* *Incorporated in 1901*

General Offices:
25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1953

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
CHICAGO

Public Accountants
ARTHUR ANDERSEN & CO.
CHICAGO

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
CHICAGO

GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
CHICAGO

BANKERS TRUST COMPANY
NEW YORK

BOARD OF DIRECTORS

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ALBERT B. DICK, JR.
MARSHALL FIELD, JR.
STANLEY FIELD
CHARLES Y. FREEMAN
HENRY P. ISHAM
WILLIAM V. KAHLER
HUGHSTON M. McBAIN
HAROLD J. NUTTING
JAMES L. PALMER
JAMES SIMPSON, JR.
JOHN P. WILSON

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Chairman

JAMES L. PALMER
President

HAROLD J. NUTTING
Vice President

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Vice President

JEAN L. SCHUREMAN
Vice President

GARRET L. BERGEN
Divisional Vice President

DAVID W. DAVIDSON
Divisional Vice President

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Comptroller

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Secretary

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Treasurer

CHARLES M. RHODES
Assistant Treasurer

ARTHUR JACKSON
Assistant Secretary

GEORGE G. RINDER
Assistant Comptroller

WILLIAM S. STREET
Vice President

LAWRENCE B. SIZER
Vice President

EARL KRIBBEN
Assistant to the President

JOHN McKINLAY, JR.
Divisional Vice President

DONALD K. KEITH
Divisional Vice President

TO THE SHAREHOLDERS

The Board of Directors submits this annual report for the year ended December 31, 1953.

Operating Results

Your Company's net income for 1953 was $6,072,000. The corresponding figure for 1952 was $5,617,000. Since 1946 we have been following the practice of increasing or decreasing our inventory reserve by an amount approximating the effect of price increases or decreases upon our inventory valuations, these amounts being charged or credited to current earnings. Because prices remained stable in 1953, earnings for the year were unaffected by such a reserve adjustment. In 1952 prices declined appreciably, with the result that we decreased our inventory reserve account by $1,000,000 and increased current earnings by this amount. Net income before reserve adjustment was $4,617,000 in 1952.

Operating results for the Company are summarized in the following table:

	1953	1952
Net Sales	$217,960,000	$225,567,000
Wages, salaries and employe benefit costs	59,374,000	61,509,000
Cost of merchandise and miscellaneous expenses	145,236,000	153,590,000
Interest	955,000	850,000
Federal income taxes	6,323,000	5,002,000
Net Income Before Inventory Reserve Adjustments	6,072,000	4,617,000
Decrease in reserve for inventory price decline	—	1,000,000
Net Income	6,072,000	5,617,000
Net Income per Common Share		
Before inventory reserve adjustments	$2.80	$2.05
After inventory reserve adjustments	2.80	2.56

Dividends of $2.00 per Common Share were paid in 1953, as in each of the preceding six years. Common and preferred dividends paid to shareholders in 1953 totaled $4,525,000.

The income of the Company in 1953 before interest, taxes and inventory reserve adjustment was $13,350,000 compared with $10,468,000 in 1952. Our retail stores were responsible for all of this income except $766,000 in 1953 and $58,000 in 1952. The latter figures were the earnings of our Fieldcrest Mills Division which was sold on October 1, 1953.

Our Chicago stores, which have enjoyed one of the best earnings records in the department store industry over a long period of time, experienced a small sales gain and a substantial increase in earnings in 1953. The improvement in earnings was due mainly to increased effectiveness in expense control and to a slight increase in gross profit ratio.

Our Frederick & Nelson store in Seattle, which had its formal opening in its enlarged and modernized form in August 1952, and the suburban Bellevue store enjoyed substantial sales gains in 1953. The earnings of these stores for the year likewise were well ahead of those of the preceding year.

Sale of Fieldcrest Mills

The most important and significant event in your Company's affairs in 1953 was the sale of Fieldcrest Mills on October 1. The disposal of this division of the Company at the end of the third quarter accounts for the decline in total Company sales for the year 1953.

Between 1940 and 1948 your Company enjoyed favorable earnings in its Fieldcrest Mills Division, due in considerable measure to the abnormal wartime and post-war demand for textile products. Between January 1, 1949 and October 1, 1953, however, the performance of this division was far from satisfactory, earnings before interest, taxes and inventory reserve adjustments for the period of nearly five years averaging about $1,000,000 a year. In four of the five years they were far below satisfactory levels. With no certain prospect of improved conditions in the years ahead, there seemed to be no compelling reason for continuing to engage in textile manufacturing.

Of even greater importance was the fact that our basic reason for being in the textile business had not existed since 1936. At that time we liquidated our Wholesale Division which previously had purchased a large part of the output of our mills. Since then our main activity has been the operation of department stores. All of our stores combined have purchased annually less than 5% of the total production of these mills.

For some time, therefore, your management has believed that Marshall Field & Company should not be engaged in textile manufacturing. Although we had previously succeeded in liquidating a few of our mill properties, it was not a simple matter to dispose of the entire manufacturing operation on a satisfactory basis. The opportunity finally presented itself in 1953 and, as we have previously reported to you, the transaction is now an accomplished fact. We believe the sale has proved beneficial to your Company in several important respects:

1. It has removed from the Company a unit having questionable earning prospects for us.
2. It has greatly strengthened our balance sheet and particularly our cash position.
3. It has materially enhanced the Company's flexibility and will permit us to accept much more freely such opportunities for retail growth and expansion as may become available.
4. It permits your management to concentrate upon the retail business, without the inevitable distraction brought about by the presence of an operation only remotely associated with, and far different in nature from retailing.

The sale of our mills has had the effect of reducing our inventory reserve $1,900,000 and of increasing earned surplus $578,000. Of our $5,500,000 1952 year-end reserve, $1,900,000 was applicable to mill inventories and hence is no longer needed. The mills were sold for cash and the proceeds from the sale and from related tax reductions exceeded $26,600,000.

Financial Data

Your Company's balance sheet at December 31, 1953 has been greatly affected by the sale of Fieldcrest Mills, and in some degree by our normal 1953 operations. Cash and short-term Government securities totaled $34,400,000 compared with $11,300,000 at the end of 1952. Receivables were reduced by $4,100,000 to $28,100,000, and inventories by $7,500,000 to $24,700,000. The value of fixed assets declined $8,100,000 to $51,700,000. Our current ratio increased from 2.9 to 3.8. Current liabilities were reduced $3,400,000. Long-term debt increased in July, 1953 from $26,000,000 to $30,000,000 under the terms of a loan negotiated with an institutional investor in early 1952. Earned surplus increased during 1953 from $44,100,000 to $46,200,000.

As we have reported previously, your Company has made heavy expenditures since the war on the modernization and improvement of its physical properties, particularly in its Chicago

and Seattle stores. All of these properties are now in excellent condition and probably can be maintained in the years immediately ahead by capital outlays approximating the amount of our depreciation. Total capital expenditures for all purposes in 1953 were $3,300,000; our charge for depreciation was practically identical in amount.

Our total merchandise on hand and on order on December 31, 1953 was $32,300,000, or 3% lower than the corresponding figure for the Company, exclusive of Fieldcrest Mills, at the end of 1952.

Payments toward the 1953 cost of our Retirement Program were $2,300,000. Nearly two thousand of our former employes have retired under the terms of this Program. At the time of the sale of the mills, that portion of our Pension Trust allocable to mill employes was transferred to a new trust for the benefit of such employes. This of course reduced the value of assets remaining in our Pension Trust, which value was $21,500,000 at the end of 1953 compared with $26,600,000 a year earlier. Reserve values standing to the credit of mill employes under the Company's Annuity Plan, which is an integral part of its Retirement Program, will continue to inure to their benefit under a new plan adopted by the purchaser of the mills.

Plans for Retail Expansion

Your Company's sales have doubled since 1935, despite the adoption at that time of a program which in due course led to the liquidation of its Wholesale Division, the sale of The Davis Store in Chicago, of The Merchandise Mart and of Fieldcrest Mills. Now for the first time in its history the Company is engaged solely in the operation of fine department stores. Its activities no longer are impeded by the ownership of unprofitable or speculative properties.

It is now the intention of your management to confine itself to the operation of retail stores selling quality merchandise and rendering the finest possible service to its customers. We expect to add units of this character whenever attractive and appropriate opportunities become available. Action in this direction was taken in 1953 when plans were formulated for the opening of two new stores.

In April, 1953 it was announced that we would lease and operate a Marshall Field & Company store in the "Mayfair" shopping center to be constructed in Wauwatosa, a western suburb of Milwaukee, Wisconsin. This store will occupy about 275,000 square feet of floor space, and will be the largest store in the center. Plans for construction are progressing favorably. In the absence of unforeseen developments this store should be in operation by 1956.

The Company also announced in 1953 that it would open a store in Park Forest, a community located thirty miles south of downtown Chicago. This store will occupy about 70,000 square feet of space and we expect it to be completed in 1955.

In keeping with our policy of confining our operations to retail merchandising, we concluded preliminary arrangements in December with American Community Builders, Inc. to take over the construction, ownership and operation of the Old Orchard shopping center which originally we ourselves contemplated building in Skokie, Illinois.

As the planning of this undertaking proceeded it became clear to your management that it was in the Company's interest to be the lessee of the major department store in the center rather than the builder, owner and operator of the entire development. The negotiation of a satisfactory arrangement for the construction and operation of Old Orchard has caused some delay in starting the project, but rapid progress is now being made.

The store to be constructed for our occupancy, under a long-term lease, will be nearly three times the size of our Evanston store. The center as a whole will be developed in substantially

the size and character originally conceived by us. The completion schedule as it now stands provides for the opening of our Old Orchard store in 1956.

We estimate, as a result of the sale of Fieldcrest Mills, that we have an excess of cash and Government securities of nearly $30,000,000. Our capital requirements for the Old Orchard, Mayfair and Park Forest stores are expected to approximate $15,000,000. Other retail expansion projects are now under consideration. In view of the probability of further retail growth in the years ahead, we believe it unwise at this time to use any of our surplus funds to retire long-term debt or preferred shares.

Personnel Matters

We can look with unusual gratification upon the excellent performance of our management staff and other employes in the year just concluded. Much was accomplished by them in 1953 in strengthening our corporate structure, in improving the quality of our service and in bettering our operating results.

On September 16, 1953 we had the pleasure of honoring Mr. Stanley Field on the occasion of the celebration of the sixtieth anniversary of his service with your Company. Mr. Field has served as a Director since 1906. No member of our Board today is more active, more devoted or more valued for his wise counsel than is Mr. Field.

On January 27, 1954, Mr. Paul M. Hammaker, Divisional Vice President and Assistant General Manager of the Chicago stores, was elected a Vice President of the Company. On April 29, 1953, Mr. Donald K. Keith, whose present responsibilities relate to the development of our three new stores, was elected a Divisional Vice President.

During 1953 Mr. Egil E. Krogh resigned his position as General Merchandise Manager of Frederick & Nelson to assume the presidency of Sibley, Lindsay & Curr Co., a department store in Rochester, New York. Mr. Cornelius J. Byrne, who has been Sales Promotion Manager of Frederick & Nelson, replaced Mr. Krogh. We also accepted the resignation of Mr. Harold W. Whitcomb, Divisional Vice President and Assistant General Manager of Fieldcrest Mills. Mr. Whitcomb has accepted the presidency of Fieldcrest Mills under its new ownership.

Outlook for the Company

We look to the future with optimism. Our sales volume has been fairly satisfactory through the first month of the year. We have seen little or no evidence in our business of the much talked about recession and we doubt whether any general setback of major proportions lies immediately ahead. Our organization is functioning splendidly. Our financial structure is sound. We are in the most liquid and flexible position we have enjoyed for many years.

We believe we see excellent possibilities for growth and expansion, and we are sure we are in a position to take advantage of these, unencumbered by capital limitations or the retarding influences of operations which in the past have complicated our affairs in various ways. We hope you hold the same confidence in the future of your Company which at this writing pervades your management.

By Order of the Board of Directors,

Chairman

President

February 18, 1954

THE STORY IN BRIEF

(in thousands of dollars)

	1953	1952	1951
Net Sales	$218,000	$225,600	$225,600
Income before Taxes and Inventory Reserve Adjustments	12,400	9,600	10,900
Income before Inventory Reserve Adjustments	6,100	4,600	5,500
Net Income	6,100	5,600	5,000
Dividends Paid	4,500	4,500	4,500
Dividends Paid per Common Share	2.00	2.00	2.00
Current Net Income Retained in the Business	1,500	1,100	400
Cash and Securities	34,400	11,300	9,000
Merchandise Inventories	24,700	32,200	32,600
Merchandise on Order	7,600	13,600	10,600
Accounts Receivable	28,100	32,200	31,800
Current Assets	89,000	78,100	75,800
Net Working Capital	65,500	51,300	47,400
Fixed Assets	51,700	59,800	58,700
Expenditures for Plant and Equipment	3,300	4,700	11,300
Depreciation	3,300	3,100	2,700
Current Liabilities	23,500	26,900	28,400
Long-Term Debt	30,000	26,000	22,000
Amount Paid in for Capital Stock	41,000	41,000	41,000
Earned Surplus	46,200	44,100	40,500
Number of Shareholders	15,787	14,997	14,397

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of December 31, 1953, and the related statements of income, earned surplus and reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1952.

In our opinion, the accompanying balance sheet and statements of income, earned surplus and reserves present fairly the financial position of Marshall Field & Company as of December 31, 1953, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 5, 1954

To the Shareholders of
Marshall Field & Company:

The financial statements contained in this report are correct, to my best knowledge and belief.

John D Andersen

February 18, 1954 Comptroller

INCOME STATEMENT

For the Years Ended December 31, 1953 and 1952

	1953	1952
NET SALES	$217,959,665	$225,566,780
DEDUCT:		
Materials and services purchased from others	$139,374,848	$147,920,945
Wages, salaries and employe benefit costs	59,373,682	61,508,806
Provision for depreciation and amortization	3,321,581	3,114,240
Taxes, other than social security and Federal income taxes	2,539,169	2,554,450
Interest	955,007	849,535
Federal income taxes	6,323,000	5,002,000
Decrease in reserve for possible future decline in market value of inventories	—	(1,000,000)
	$211,887,287	$219,949,976
NET INCOME FOR THE YEAR	$ 6,072,378	$ 5,616,804

BALANCE SHEETS—DECE

ASSETS

	1953	1952
CURRENT ASSETS:		
Cash	$ 12,418,314	$ 11,289,409
United States Government securities, at cost	21,995,781	—
Receivables from customers and others, less reserves	28,078,722	32,188,084
Merchandise inventories, priced at the lower of cost or market, less reserve for possible future decline in market value of inventories ($3,600,000 in 1953; $5,500,000 in 1952)	24,685,900	32,225,677
Prepaid insurance, supply inventories, etc.	1,821,203	2,434,516
TOTAL CURRENT ASSETS	$ 88,999,920	$ 78,137,686
FIXED ASSETS:		
Land, leaseholds, buildings and equipment, at cost	$ 74,365,626	$ 88,380,889
Less—Reserves for depreciation and amortization	22,660,030	28,534,870
NET FIXED ASSETS	$ 51,705,596	$ 59,846,019
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$140,705,517	$137,983,706

MBER 31, 1953 AND 1952

LIABILITIES

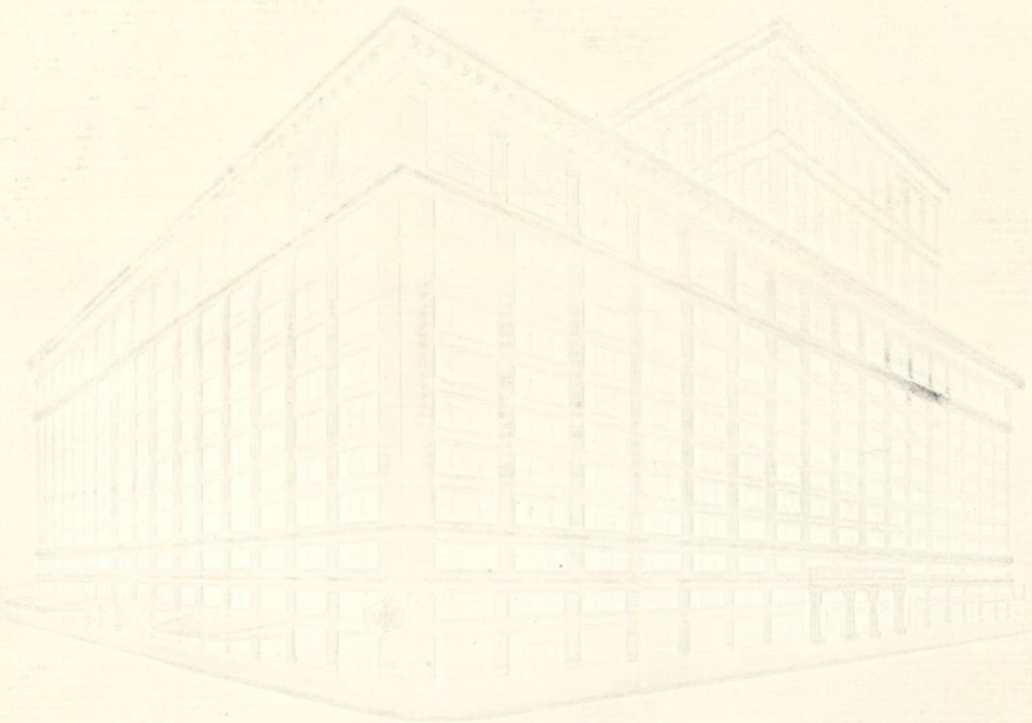
	1953	1952
CURRENT LIABILITIES:		
Accounts payable	$ 9,613,504	$ 10,594,113
Accrued Federal income taxes	4,433,197	6,691,170
Other accrued liabilities	9,434,870	9,599,367
TOTAL CURRENT LIABILITIES	$ 23,481,571	$ 26,884,650
3¾% NOTES, maturing from 1972 to 1982	$ 30,000,000	$ 26,000,000
CAPITAL STOCK:		
Cumulative Preferred Shares—		
Authorized 300,000 shares of $100 par value, issuable in series—4¼% Series; redeemable at premiums per share of $6.50 through March 31, 1955, and $4.00 thereafter; issued and outstanding 150,000 shares	$ 15,000,000	$ 15,000,000
Common Shares—		
Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employes without first offering such shares to the shareholders; options have been granted for 48,650 shares at $29 per share; issued and outstanding 1,943,763 shares at stated value	16,818,815	16,818,815
AMOUNT PAID IN FOR SHARES IN EXCESS OF PAR OR STATED VALUE	9,207,179	9,207,179
EARNED SURPLUS ($28,000,000 not available for dividends on Common Shares as long as 3¾% Notes are outstanding)	46,197,952	44,073,062
	$ 87,223,946	$ 85,099,056
	$140,705,517	$137,983,706

EARNED SURPLUS

Balance at December 31, 1952		$44,073,062
Net income for the year		6,072,378
Net credit resulting from sale of Fieldcrest Mills, including related Federal income tax reductions and the portion of the reserve for possible future decline in market value of inventories applicable to mill inventories		577,538
		$50,722,978
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series	$ 637,500	
Common Shares ($2.00 per share)	3,887,526	4,525,026
Balance at December 31, 1953		$46,197,952

RESERVE FOR POSSIBLE FUTURE DECLINE IN MARKET VALUE OF INVENTORIES

Balance at December 31, 1952	$ 5,500,000
Portion applicable to Fieldcrest Mills inventories, transferred to earned surplus and included in the net credit resulting from sale of Fieldcrest Mills	1,900,000
Balance at December 31, 1953	$ 3,600,000



THE RETAIL STORE AND ANNEX BUILDING
CHICAGO